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Transcript of President's News Conference on Foreign and Domestic Matters

WASHINGTON, Aug. 13 — Following is the official White House transcript of President Reagan's news conference today:

OPENING STATEMENT

I have a statement to open with. I suppose it's unavoidable that debates over controversial issues like the tax bill should give rise to more heat than light. Still, I think it's important that the American people get the facts behind the sound and fury.

To begin with, this tax bill is not, as it has so often been mislabeled, the biggest tax increase in history. That's plain hogwash. The tax bill would raise \$9 billion in revenue over three years. The Social Security payroll tax hike that was passed by the Congress in 1977 will increase the cost to the taxpayers \$12 billion over that same period. But more importantly, new personal taxes are only 17 percent of that \$9 billion figure. About 80 percent of the money raised by the tax bill will come from plugging loopholes and from better compliance — collecting money that is already owed to the Government but is not being reported.

The goal is simple and just: to get to the place where everyone pays his fair share.

QUESTIONS AND ANSWERS

Tax Cuts as Economy Cure

Q. Mr. President, when you signed that big tax cut last year and signed the legislation, you thought that was going to cure the economy and get the job done. Why didn't it work? Why do we need a tax increase now?

A. Sam, I've heard you ask that question before on the air and I've wanted to answer you. Thank you for asking it here where I could.

Q. Now's your chance, sir.

A. Yes, I will. May I call to your attention that that program — the first installment of it and the smallest installment — went into effect only about 10 months ago. And the second installment went in a month and a half ago, July 1st. And there is a remaining installment to go in on July 1st of 1983.

But the very fact that something just simply goes into effect — the program and the incentive of the program is built on, and based on the people and the businesses who are being, are benefiting from these tax cuts, acquiring and accumulating that money, and then having it for use. And to simply say, "Well, the measure is passed and is now on the books as law," doesn't mean anything till the people begin to acquire the money.

But now I can add, however, it is working. Granted, it doesn't suddenly see a bonanza, but beginning with the first minor tax cut, that first 3 percent installment, there has been an increase in personal savings that has not been true over the last decade. There has also been an increase now in real earnings — not just inflated dollars, but there's been running about a 4 percent increase in the actual real money that people have.

The drop in inflation that has — I think we can take some credit for with all of our program — that bit of inflation has made a family with the \$15,000 income, a family of four, have \$20,000 more purchasing power than they had in 1980. That's a \$1,000 raise just from inflation alone, not counting the tax figure. The fact that interest rates have come down, the fact that retail sales on an annualized

basis have been rising since January at about 12 percent — all of these things, I think, are the evidence that we have bottomed out in the recession. And I think that we're entitled to take some credit for that with the program.

Stopping Attacks on Beirut

Q. Mr. President, why didn't you take the kind of highly publicized public action to stop the bombing in Beirut before you did yesterday? Perhaps hundreds of thousands could — or thousands, anyway — could have been saved. Why not be, why not go public, no matter what you may have said in private, sir?

A. Well, much of what we said — and we weren't silent or idle in all this time that Habib has been working — but the sensitivity of the negotiations were such that I avoided, as you know, anything that might interfere with those negotiations or in some way injure what Ambassador Habib was trying to accomplish.

However, yesterday the situation was that the negotiations were down to the logistics, the technicalities of getting the troops out, and that some have made public, the P.L.O. was literally a government and an armed force in no way to that other nation, which was one of the reasons why you didn't hear more protest from the Lebanese Government about the Israeli presence.

Q. Mr. President, you said that yesterday you did have a general agreement, and that there was a review of history. Where are we back on track today? Do we still have a general agreement? And if so, what is the review of history that you go back to? Do we still have a general agreement? And if so, what is the review of history that you go back to?

A. As I say, this was a matter of great concern and we were trying to get an end to it. On the other hand, I



President Reagan leaving the press room of the White House after speaking.

think that perhaps the image has been rather one-sided because of the Israeli capability at replying, but in many instances — in fact, most of them — the cease-fire was broken by the P.L.O. attacking these Israeli forces.

Q. Well, they were invaders, were they not?

A. And they the invaders or are the P.L.O. the invaders? Lebanon is the country.

Q. And June 8th.

A. But, on the other hand, if we look now at the stories that are beginning to come out and that some have made public, the P.L.O. was literally a government and an armed force in no way to that other nation, which was one of the reasons why you didn't hear more protest from the Lebanese Government about the Israeli presence.

Status of Evacuation Talks

Q. Mr. President, you said that yesterday you did have a general agreement, and that there was a review of history. Where are we back on track today? Do we still have a general agreement? And if so, what is the review of history that you go back to? Do we still have a general agreement? And if so, what is the review of history that you go back to?

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Revising Japan's History

Q. Mr. President, what is your personal view on Japan's revision of history and the rationale regarding Japan's invasion of China and oppression of Korea, and also attack on — justify the Japanese military action elsewhere?

A. Well, I think we would be going into past history there. And of course, these were tragic times. And we think there was a different philosophy than is governing Japan today. And I think the fact that we have been able to forgive and forget, we discovered in our studies that one of the areas where there is escape from paying taxes due is in the matter of reporting earnings

in. I would rather not rehash the war feelings that I am sure were felt on both sides, and that led to that tragedy.

Consistency on Tax Issue

Q. Mr. President, in view of the fact that until recently, you had resisted any effort to raise revenues in the way that you are endorsing in this bill now, how concerned are you that, regardless of the merits of the matter, the perception among the public will be that you have done what the Republicans always accused Jimmy Carter or doing — flip-flopped on the tax issue?

A. I think that the answer is very simple. And thank you for asking it. There is no any flip-flop on this at all. I would prefer to reduce our budget deficit by continuing to reduce Government spending. And I still think that there is more to be done in that regard. But let me point out that, when we submitted our budget this year, the Congress refused to even consider it. And it was based purely on spending cuts. And, finally, after long negotiations — the "Gang of 17," as it was named — the bipartisan group that met trying to reconcile this problem — it became clear that we could not get the spending cuts that we were asking for unless we would agree to some increase in revenue.

Now, our first effort to meet that was something that we had said a year ago when we were getting the tax cuts. We said that we were aware that there were areas where unintended tax advantages were being taken by some that were never intended in the legislation. We said, also, that we were aware that there were monies owed to the Government that were not now being collected, and that we were aware that any time to come forth with a package to try and propose that.

So we started in the negotiations last week. Let's implement those things that we have already found. But the simple fact is, this tax package was tied to the spending cuts we want. And we could not have them without the other. But remember, also, that the first demands that were made on us were that we give up some of the tax cuts that we secured last year. And here I dug in my heels and said, "No, that tax program is based on incentives that I believe are necessary to get the economy moving again, and we will not give up."

Now, there is nothing in this \$9 billion package that in any way interferes with the significance can be pointed out in the figures — \$9 billion over three years, only \$17 billion of which is a new tax. And the savings from our cuts to the taxpayers will be \$46 billion over the same three years.

Q. Just to follow up briefly, the one thing that is included in this package is taxation, is withholding on taxation and dividends and interest. This is something that you, yourself, denounced during the campaign when President Carter proposed it. As I recall, you said it was a violation of the fiduciary relationship between a person and a bank. What caused you to change your mind?

A. For one thing, he had asked for 13 percent withholding with no exceptions. Here, once having the information available that you have when you make a withdrawal, we discovered in our studies that one of the areas where there is escape from paying taxes due is in the matter of reporting earnings

from income and dividends. And that is one of the large areas where taxes that are due are just not being paid.

So, with that in mind, we looked at that very situation. But we have exempted fully 80 percent of more of the people over 65. They would have to have an income of — there's a couple of \$14,000 before they would be eligible for withholding. For other people not over 65, the — you would have to have an income — average family would have to have an income of about \$24,000 and some dollars before they would be withheld.

So, what we found is that the withholding is going to apply basically to those people who are in an income bracket where they pay quarterly installments on their estimated income, and thus, all that happens is the bank or the company paying the dividends will submit that to the Government, and they will send their checks for the balance of what they owe. Yes?

Relationship With Israel

Q. Mr. President, has the Israeli action in Lebanon, often against U.S. wishes — the massive retaliation for violations of the cease-fire by the P.L.O. — has that changed in any way the special relationship between Israel and the United States? And has it changed your own personal views toward Israel?

A. No, I think and I was concerned also that — the reason for the call, that it could endanger that — the manner in which it's being portrayed, there's been less emphasis on the provocation and more emphasis on the response. And, yes, I did and have voiced the opinion that the response many times was out of proportion to the provocation. But we can't deny that the Israelis have been taking casualties from those cease-fire violations themselves. I think the figure now is 328 dead of their own military from being attacked in the breaking of the cease-fire.

Q. Has it changed your own attitude toward Israel? A. I still believe that this country has an obligation to pursue the peace process that was started in Camp David and that this country has an obligation to insure Israel's survival as a nation.

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Threats to Congressmen

Q. Sir, do you approve of your people threatening Republican Congressmen on the tax bill?

MR. SPEAKERS: Sam, we have to quit.

Q. Are you going to make a speech Monday night?

Q. I was just going to ask if, if the President approves of his people threatening Republican Congressmen with the tax bill?

A. Having asked that, I have to answer that. No, we're not threatening anybody, and I'm going to do everything I can to get all the Republican members of Congress to come into office.

Q. But not threatening them by withholding your support or withholding funds or anything like that? A. No, no.

Q. Are you making a television speech Monday night? A. We're trying to — we're trying to make one early next week sometime. I don't know the exact time for yet.

MR. SPEAKERS: Thank you.

THE PRESS: Thank you.

Police Break Up March in Gdansk And Gatherings in 3 Other Cities

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streets, chanting "Long live Solidarity!" and "Free Lech!" — Lech Walesa, the interned Solidarity chief — and anti-Government slogans.

How the March Began

The march began in the early afternoon, when more than 2,000 workers leaving the morning shift at the Lenin Shipyard gathered to lay a wreath at three tall crosses erected on the spot outside the gates where striking workers were shot by the police in 1970. When the crowd began to grow, the riot policemen tried to disperse it, instead of dispersing, the demonstrators began marching through the city, their number swelling. When they drew near the Communist Party headquarters, a four-story building that was burned down in the 1970 riots, helmeted police opened up with water cannon, tear gas and flames.

Witnesses said the melee spilled over into the narrow, cobblestone streets of the Old City, where some young demonstrators tried to set up barricades of bricks and benches under a haze of tear gas. Within an hour, however, the Old City was reported to be under police control, with armored vehicles patrolling the streets.

A Wreath in Warsaw

In Warsaw, about 600 people were gathered around the 40-foot cross of flowers on Vistula Square that has become a major symbol of defiance in the Polish capital. Someone laid a wreath with red roses and a banner that read "People's Authorities" at its foot, and when the police tried to lift it, the crowd refused to let go. The police used water cannon and tear gas to disperse the crowd, but it was not until 7 P.M. that the police appeared in force — a line of regular officers backed by police militia in riot gear. The crowd, no larger than is usually gathered around the cross in the evening, knelt and began to sing the Polish national anthem.

The police moved in and let the water cannon loose as the crowd retreated shouting "Gestapo, Gestapo!" Militiamen pursued the crowd to the edges of the vast square, occasionally wielding riot sticks against defiant youths but remaining under control.

As the police pursued the crowd into the adjacent Saski Gardens, where an eternal flame burns to Poland's unknown soldier, and into side streets, more than a dozen tear gas canisters were detonated. But people continued to surge back, and several elderly women reached the cross and laid flowers without being stopped.

The back-and-forth continued for several hours, with an occasional brick or bottle being thrown at the police, before it subsided. Despite the powerful spraying by water cannon, a chain of white lights around the cross were not extinguished and continued to flicker in the empty square at night.

March Near Cracow

Western diplomats in Cracow, south of Warsaw, reported that about a thousand workers from the Lenin Steel works in the suburb of Nowa Huta marched briefly in the early afternoon and were joined by about 2,000 onlookers. The diplomats said the police used water cannon to disperse the crowd, and calm was soon restored.

The only report that disturbances had occurred in Wrocław came from the official press agency, which gave no details. "For the rest of the country, today was a quiet day of normal work," the agency said.

The 13th of each month since martial law was decreed on Dec. 13 has been marked by passive or active protests, although none had reached the proportions of today's. This month, however, tensions have been heightened by the call from Solidarity's underground press for a campaign of defiance to start Monday, the anniversary of the formation of the interfactory strike committee in Gdansk that eventually became the core of Solidarity.

A bulletin circulated in Warsaw today repeating the call and adding new details declared, "Everyone must demonstrate that Solidarity is alive, is operating and is fighting." The leaders have called for organized, nationwide marches on Aug. 31, the primary anniversary in the Solidarity calendar.

GIVE TO THE FRESH FUND

Reagan Sees 'Great Reason for Hope' for Settlement in Beirut Talks

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room at which he read a statement on his tax bill and answered several questions, said he spoke out forcefully Thursday against the 11-hour Israeli bombing of West Beirut because Mr. Habib's negotiations seemed so close to success.

We had general agreement by all the parties finally, and the negotiations were down to the logistics, the technicalities of getting the people, getting the P.L.O. moving and so forth, and those negotiations literally were broken off by the extent of that bombing and shelling," Mr. Reagan said. "The delegates couldn't even get to the negotiation meetings."

'I'm Reasonably Optimistic'

Officials close to the President said he had publicly expressed his "reasonably optimistic" view over the Israeli bombings because of "the senseless killing of civilians."

society, has watched the nightly television news accounts of the bombings in West Beirut with growing concern. "He's clearly upset about the killing," an official said.

Mr. Reagan, asked today if the negotiations by Mr. Habib were "back on track," said, "I'm reasonably optimistic — and I say so because I say cautiously — I'm reasonably optimistic about the time the cease-fire is going to hold."

He said the negotiations of a P.L.O. withdrawal center now on "the technicalities and the logistical" moves that must be made in getting them out. "He added, 'I think there's reason for great reason for hope.'

Apparently seeking to ease the impact of his recent criticisms of Israel, the President noted that the many Jewish lives lost in the conflict, the P.L.O. had broken the cease-fires. He said the Lebanon crisis "was a matter of great concern, and we were trying to get an end to it."

"On the other hand, I think that perhaps the image has been rather one-

sidious," he said. "If we look now at the stories that are beginning to come out, the P.L.O. was literally a government and an armed force in no way to that other nation, which was one of the reasons why you didn't hear more protest from the Lebanese Government about the Israeli presence," he said.

Sympathetic to Initial Move

In response to questions, Mr. Reagan indicated that he had been somewhat sympathetic to the initial Israeli military move into Lebanon. "There's been less emphasis on the provocation and more emphasis on the response," he said. "And, yes, I have voiced the opinion that the response many times was out of proportion to the provocation."

He added that the Israelis had been suffering casualties as a result of P.L.O. violations of the cease-fire. "I think the figure now is 328 dead of their own military from being attacked in the breaking of the cease-fire," he said.

Asked if his attitude toward Israel had changed in recent weeks, Mr. Reagan

replied, "I still believe that this country has an obligation to pursue the peace process that was started in Camp David and that this country has an obligation to insure Israel's survival as a nation."

American officials, meanwhile, speculated on the reasons for Israel's extensive deployment of troops and military vehicles in the northern coastal and mountain areas of Lebanon. They said the Israelis appeared to be positioning themselves to outflank Syrian troops to the east and south.

In addition, the buildup by the Israelis would appear to improve their bargaining position in negotiations for the withdrawal of all foreign troops from Lebanon, officials said. It would also appear to give the Israelis some leverage if military action was necessary against remaining P.L.O. and Syrian forces in the area.

And it would bring new forces in Lebanon. An American official said, "The Israelis increase their options to take advantage of the political and military situations after Beirut is solved."